

TORREY TOWN
FINANCIAL STATEMENTS
JUNE 30, 2006

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Torrey Town
Torrey, Utah 84775

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Torrey Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Torrey Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Torrey Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2006, on our consideration of Torrey Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 11, 2006
Richfield, Utah

TORREY TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

This discussion of Torrey Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and streets, cemetery and parks and recreation.

Financial Highlights

- * The assets of Torrey Town exceeded its liabilities as of the close of the most recent year by \$1,926,734 (net assets). Of this amount, \$231,407 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets decreased by (\$19,238). The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, Torrey Town governmental funds reported ending fund balance of \$29,752, a decrease of (\$42) in comparison with the prior year. Approximately 55 percent of this total amount, \$16,230 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$16,230, or 27 percent of total general fund expenditures.
- * Torrey Town's total debt decreased by \$28,000 during the current year.
- * During the prior year the Town obtained a grant of \$810,000 and a loan of \$270,000 at 2.5% from the Community Impact Board. The funds are being used to improve the springs and culinary water system. The project was completed this fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Torrey Town's basic financial statements. Torrey Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Torrey Town, finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Torrey Town, Inc.'s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Torrey Town, in improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Torrey Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Torrey Town include general government, public health, highways and public improvements, cemetery and parks and recreation. The business-type activity of Torrey Town is the culinary water fund.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Torrey Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Torrey Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Torrey Town adopts an annual appropriated budget for its governmental fund, the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Torrey Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Torrey Town, uses an enterprise fund to account for its culinary water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, which is considered to be a major fund of Torrey Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Torrey Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Torrey Town, assets exceeded liabilities by \$1,926,734 at the close of the most recent fiscal year.

By far the largest portion of Torrey Town's net assets (80 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Torrey Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Torrey Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Torrey Town's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and Other Assets	26,794	29,752	710,123	449,453	736,917	479,205
Capital Assets	245,260	226,820	1,536,121	1,745,687	1,781,381	1,972,507
Total Assets	272,054	256,572	2,246,244	2,195,140	2,518,298	2,451,712
Long-Term Liabilities	-	-	467,000	439,000	467,000	439,000
Other Liabilities	-	-	108,326	85,978	108,326	85,978
Total Liabilities	-	-	575,326	524,978	575,326	524,978
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	245,260	226,820	960,795	1,306,687	1,206,055	1,533,507
Restricted	15,258	13,522	400,967	148,298	416,225	161,820
Unrestricted	14,536	16,230	309,156	215,177	323,692	231,407
Total Net Assets	275,054	256,572	1,670,918	1,670,162	1,945,972	1,926,734

A portion of Torrey Town's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$231,407 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Torrey Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased Torrey Town's net assets by (\$18,482). Key elements of this decrease follows:

Torrey Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program Revenues:						
Charges for Services	4,146	6,185	90,145	88,918	94,291	95,103
Operating Grants and Contributions	16,397	16,513	-	-	16,397	16,513
Capital Grants	-	-	810,000	-	810,000	-
General Revenues:						
Property Taxes	2,665	3,100	-	-	2,665	3,100
Other Taxes	24,426	27,147	-	-	24,426	27,147
Unrestricted Investment Earnings	1,031	1,665	14,604	17,990	1,031	1,665
Other	-	-	-	-	-	-
Total Revenues	48,665	54,610	914,749	106,908	948,810	143,528
General Government	17,967	21,684	-	-	17,967	21,684
Public Safety	2,144	1,984	-	-	2,144	1,984
Highways and Streets	49,765	43,796	-	-	49,765	43,796
Cemetery	2,867	8,225	-	-	2,867	8,225
Parks and Recreation	3,877	3,403	-	-	3,877	3,403
Interest on Long-Term Debt	-	-	13,070	17,100	13,070	17,100
Water Operations	-	-	70,419	84,564	70,419	84,564
Total Expenses	76,620	79,092	83,489	101,664	160,109	180,756
Increase in Net Assets Before Transfers	(27,955)	(24,482)	831,260	5,244	788,701	(37,228)
Transfers	-	6,000	-	(6,000)	-	-
Decrease in Net Assets	(27,955)	(18,482)	831,260	(756)	803,305	(19,238)
Net Assets - Beginning	303,009	275,054	839,658	1,670,918	1,142,667	1,945,972
Net Assets - Ending	275,054	256,572	1,670,918	1,670,162	1,945,972	1,926,734

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities decreased Torrey Town's net assets by (\$756), accounting for 4 percent of the total decrease in the government's net assets. The changes can be noted above in the comparison from 2005.

Financial Analysis of the Government's Funds

As noted earlier, Torrey Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The general fund is the chief operating fund of Torrey Town at the end of the current year, unreserved fund balance of the general fund was \$16,230, while total fund balance was also \$16,230. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 27 percent of total general fund expenditures.

Proprietary Funds

Torrey Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year were \$215,177. Other factors concerning the finances of this fund has already been addressed in the discussion of Torrey Town's business type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final budget.

Capital Asset and Debt Administration

Capital Assets

Torrey Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$226,820 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which is roads and highways.

Torrey Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	31,000	31,000	-	-	31,000	31,000
Infrastructure	180,000	165,000	-	-	180,000	165,000
Buildings	18,600	16,720	-	-	18,600	16,720
Improvements Other than Buildings	-	-	676,317	1,713,987	676,317	1,713,987
Construction in Progress	-	-	820,154	-	820,154	-
Equipment	15,660	14,100	39,650	31,700	55,310	45,800
Total	245,260	226,820	1,536,121	1,745,687	1,781,381	1,972,507

Additional information on Torrey Town, capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Torrey Town had total bonded debt outstanding of \$439,000. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenue Bonds	-	-	467,000	439,000	467,000	439,000

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

Additional information on Torrey Town's long-term debt can be found in the notes of the financial statements.

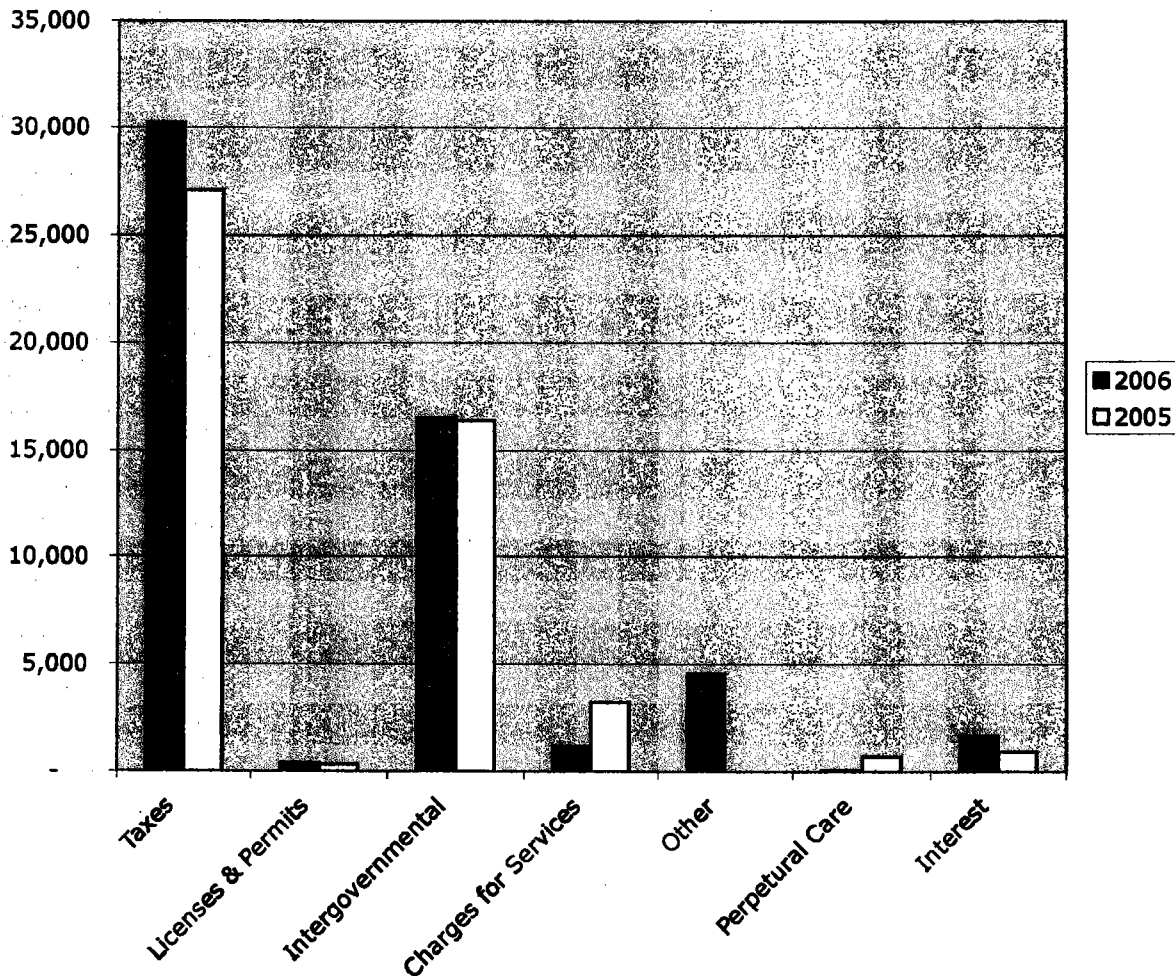
Request for Information

This financial report is designed to provide a general overview of Torrey Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Torrey Town Clerk, P.O. Box 750027, Torrey, Utah, 84775.

**Torrey Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

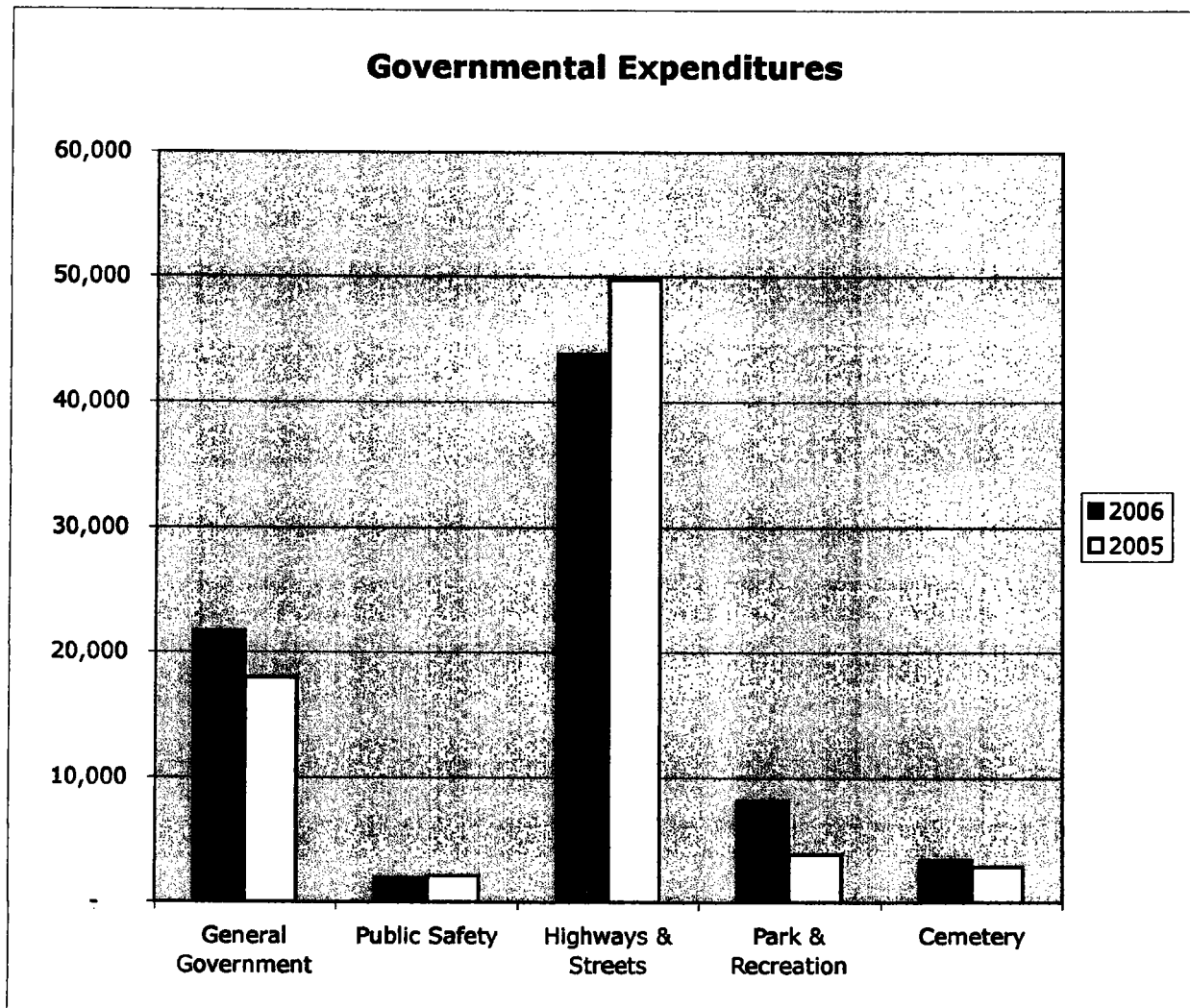
	2006	2005
Taxes	30,247	27,091
Licenses & Permits	400	325
Intergovernmental	16,513	16,397
Charges for Services	1,175	3,221
Other	4,530	
Perpetural Care	80	709
Interest	1,665	922
Total Revenues	54,610	48,665

Governmental Revenues



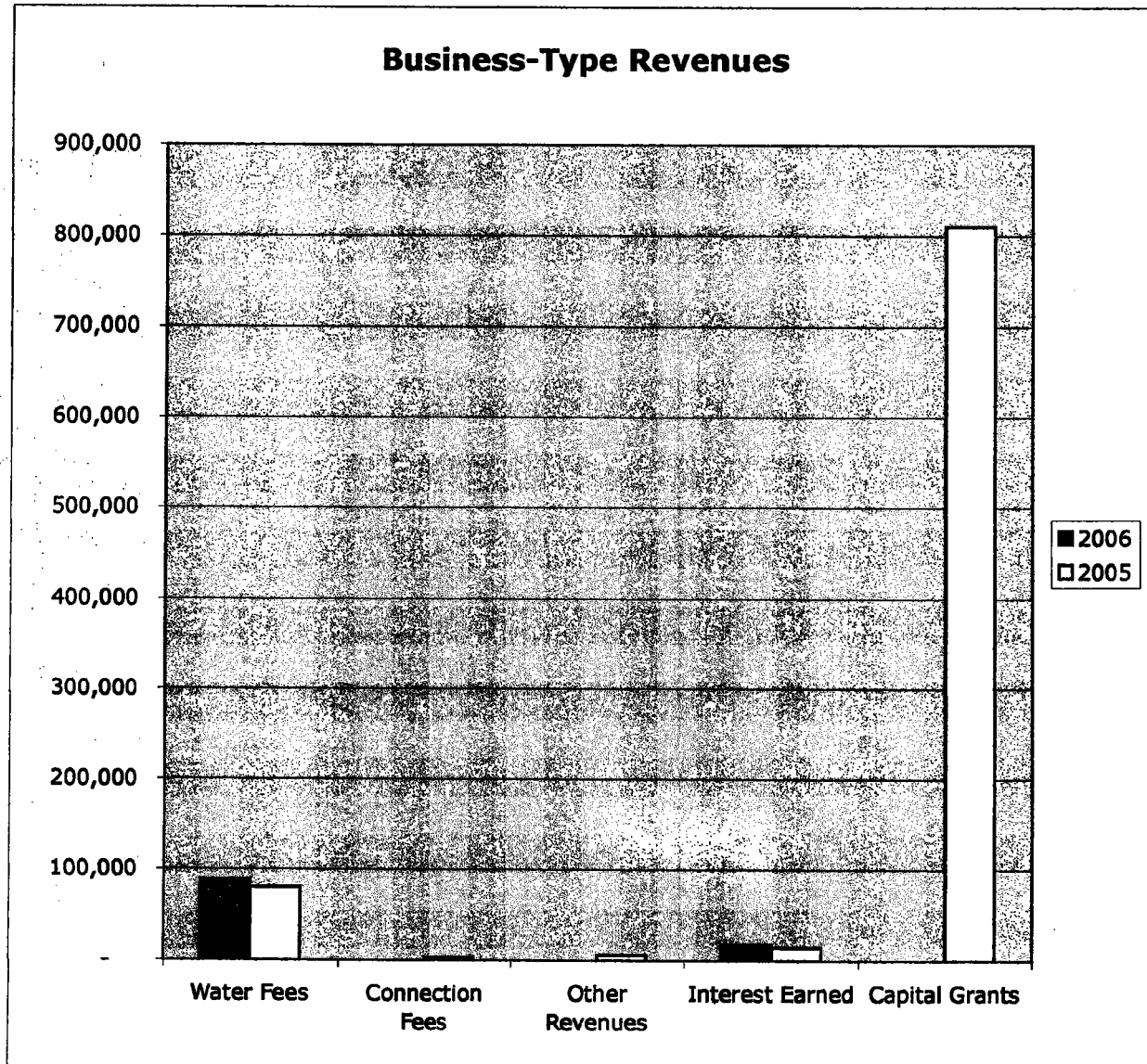
**Torrey Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
General Government	21,684	17,967
Public Safety	1,984	2,144
Highways & Streets	43,796	49,765
Park & Recreation	8,225	3,877
Cemetery	3,403	2,867
Total Expenditures	79,092	76,620



Torrey Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

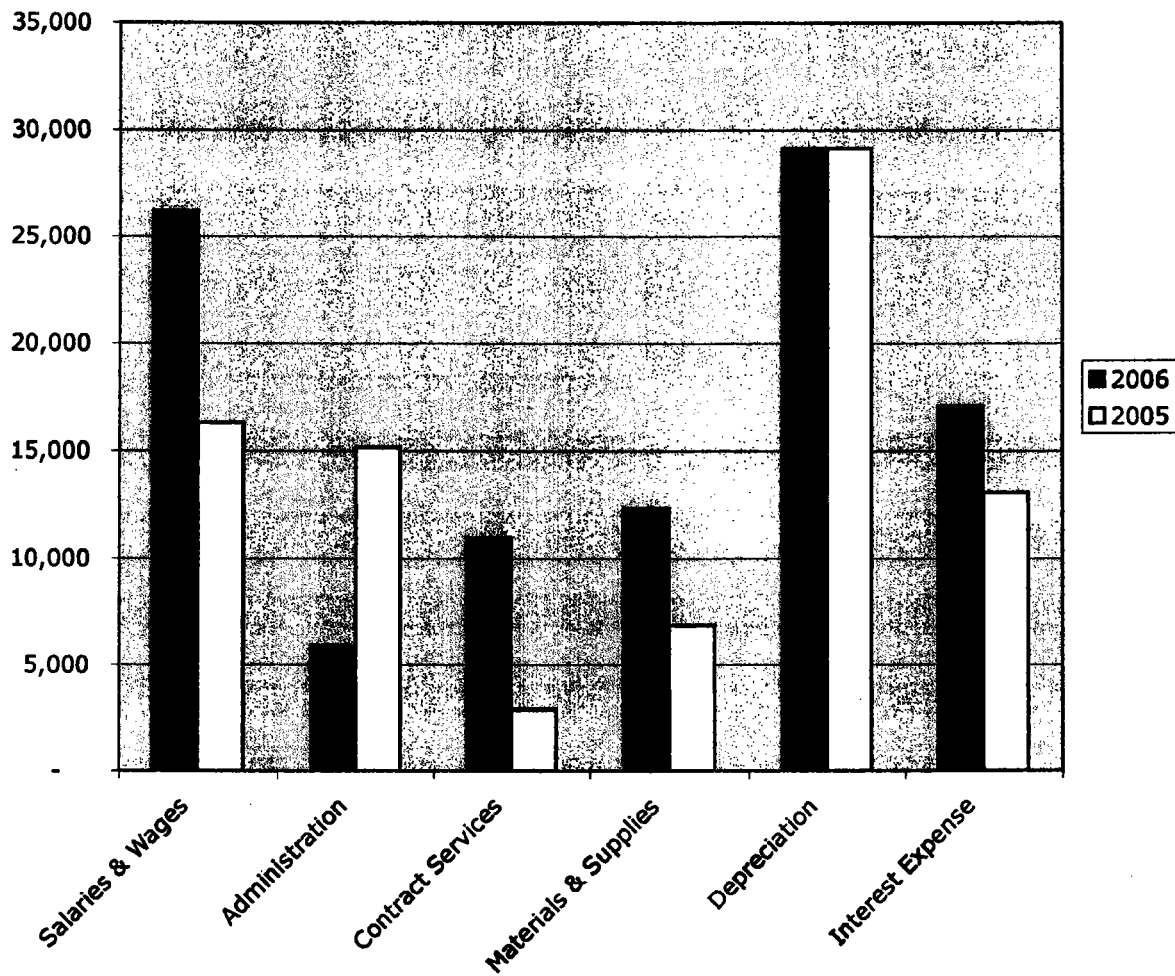
	2006	2005
Water Fees	88,918	80,538
Connection Fees	-	3,500
Other Revenues	-	6,107
Interest Earned	17,990	14,604
Capital Grants	-	810,000
Total Revenues	106,908	914,749



Torrey Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Wages	26,213	16,320
Administration	5,931	15,184
Contract Services	10,947	2,900
Materials & Supplies	12,343	6,885
Depreciation	29,130	29,130
Interest Expense	17,100	13,070
Total Expenditures	101,664	83,489

Business-Type Expenditures



(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**TORREY TOWN
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	29,752	286,305	316,057
Accounts Receivable (Net)	-	14,850	14,850
Total Current Assets	29,752	301,155	330,907
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	148,298	148,298
Capital Assets (Net of Accumulated Depreciation):			
Land	31,000	-	31,000
Buildings and Improvements	16,720	-	16,720
Water System	-	1,713,987	1,713,987
Equipment	14,100	31,700	45,800
Infrastructure	165,000	-	165,000
Total Noncurrent Assets	226,820	1,893,985	2,120,805
TOTAL ASSETS	256,572	2,195,140	2,451,712
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	81,378	81,378
Bond Interest Payable	-	4,600	4,600
Revenue Bonds Payable - Due Within One Year	-	30,000	30,000
Total Current Liabilities	-	115,978	115,978
Noncurrent Liabilities:			
Revenue Bonds Payable - More Than One Year	-	409,000	409,000
Total Noncurrent Liabilities	-	409,000	409,000
TOTAL LIABILITIES	-	524,978	524,978
NET ASSETS			
Investment in Capital Assets, Net of Debt	226,820	1,306,687	1,533,507
Restricted For:			
Bond Retirement	-	29,000	29,000
Water System Improvements	-	119,298	119,298
Perpetual Care	13,522	-	13,522
Unrestricted	16,230	215,177	231,407
TOTAL NET ASSETS	256,572	1,670,162	1,926,734
TOTAL LIABILITIES NET ASSETS	256,572	2,195,140	2,451,712

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Operating Grants/Contributions		Primary Government		
		Services	Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	21,684	4,929	-	(16,755)	-	(16,755)
Public Safety	1,984	-	1,358	(626)	-	(626)
Highways and Public Improvements	43,796	-	15,155	(28,641)	-	(28,641)
Cemetery	8,225	300	-	(7,925)	-	(7,925)
Park and Recreation	3,403	956	-	(2,447)	-	(2,447)
Interest on Long-Term Debt	-	-	-	-	(17,100)	(17,100)
Total Governmental Activities	79,092	6,185	16,513	(56,394)	(17,100)	(73,494)
Business-Type Activities:						
Utility Systems	84,564	88,918	-	-	4,354	4,354
Total Primary Government	163,656	95,103	16,513	(56,394)	(12,746)	(69,140)
General Revenues:						
Property Taxes				3,100	-	3,100
Fee-In-Lieu of Property Taxes				386	-	386
Sales Taxes				26,761	-	26,761
Unrestricted Investment Earnings				1,665	17,990	19,655
Transfers				6,000	(6,000)	-
Total General Revenues and Transfers				37,912	11,990	49,902
Change in Net Assets				(18,482)	(756)	(19,238)
Net Assets - Beginning				275,054	1,670,918	1,945,972
Net Assets - Ending				256,572	1,670,162	1,926,734

The notes to the financial statements are an integral part of this statement.

**TORREY TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Non-Major Perpetual Care Permanent Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	<u>16,230</u>	<u>13,522</u>	<u>29,752</u>
TOTAL ASSETS	<u><u>16,230</u></u>	<u><u>13,522</u></u>	<u><u>29,752</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Perpetual Care	-	13,522	13,522
Unreserved, Reported In:			
General Fund	<u>16,230</u>	<u>-</u>	<u>16,230</u>
Total Fund Balance	<u>16,230</u>	<u>13,522</u>	<u>29,752</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>16,230</u></u>	<u><u>13,522</u></u>	<u><u>29,752</u></u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	29,752
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Land	31,000
Buildings	16,720
Equipment	14,100
Infrastructure	<u>165,000</u>

Total	<u>226,820</u>
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Net Assets of Government Activities	<u><u>256,572</u></u>
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TORREY TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
Revenues:			
Taxes	30,247	-	30,247
Licenses and Permits	400	-	400
Intergovernmental Revenue	16,513	-	16,513
Charges for Services	1,175	-	1,175
Perpetual Care	-	80	80
Interest	4,530	-	4,530
Other	1,551	114	1,665
	<u>54,416</u>	<u>194</u>	<u>54,610</u>
Total Revenues			
	<u>54,416</u>	<u>194</u>	<u>54,610</u>
Expenditures:			
Current:			
General Government	20,484	-	20,484
Public Safety	1,804	-	1,804
Highways and Public Improvements	28,796	-	28,796
Parks and Recreation	9,568	-	9,568
	<u>60,652</u>	<u>-</u>	<u>60,652</u>
Total Expenditures			
	<u>60,652</u>	<u>-</u>	<u>60,652</u>
Excess Revenues Over (Under) Expenditures	(6,236)	194	(6,042)
Other Financing Sources (Uses):			
Transfer From Water Fund	6,000	-	6,000
	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Net Change In Fund Balance	(236)	194	(42)
Fund Balance - Beginning	16,466	13,328	29,794
	<u>16,466</u>	<u>13,328</u>	<u>29,794</u>
Fund Balance - Ending	16,230	13,522	29,752
	<u>16,230</u>	<u>13,522</u>	<u>29,752</u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(42)
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current
period:

Depreciation Expense	<u>(18,440)</u>
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Changes In Net Assets of Governmental Activities	<u><u>(18,482)</u></u>
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**TORREY TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund
	<u>Water Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	286,305
Accounts Receivable	14,850
Total Current Assets	<u>301,155</u>
Noncurrent Assets:	
Investments - Restricted:	
Bond Reserve	29,000
Construction Reserve	119,298
Capital Assets: (Net of Accumulated Depreciation)	
Improvements Other Than Buildings	1,713,987
Equipment	31,700
Total Noncurrent Assets	<u>1,893,985</u>
TOTAL ASSETS	<u><u>2,195,140</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	81,378
Bond Interest Payable	4,600
Bonds Payable - Current Portion	30,000
Total Current Liabilities	<u>115,978</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	409,000
TOTAL LIABILITIES	<u>524,978</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1,306,687
Restricted for:	
Bond Reserve	29,000
Construction	119,298
Unrestricted	215,177
TOTAL NET ASSETS	<u>1,670,162</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,195,140</u></u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water Fees	88,918
	<u>88,918</u>
Total Operating Revenues	<u>88,918</u>
Operating Expenses:	
Salaries	26,213
Administration	5,931
Contract Services	10,947
Materials and Supplies	12,343
Depreciation	29,130
	<u>84,564</u>
Total Operating Expenses	<u>84,564</u>
	<u>4,354</u>
Operating Income	<u>4,354</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	17,990
Interest Expense	(17,100)
Transfer to General Fund	(6,000)
	<u>(5,110)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,110)</u>
	(756)
Change in Net Assets	(756)
Total Net Assets - Beginning	<u>1,670,918</u>
Total Net Assets - Ending	<u><u>1,670,162</u></u>

The notes to the financial statements are an integral part of this statement.

**TORREY TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund
	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	87,125
Payments to Suppliers	(51,169)
Payments to Employees	<u>(26,213)</u>
Net Cash Provided by Operating Activities	<u>9,743</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(28,000)
Interest Paid on Capital Debt	(17,500)
Construction In Progress	<u>(238,696)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(284,196)</u>
Cash Flows from Investing Activities:	
Interest Received	17,990
Transfer to General Fund	<u>(6,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>11,990</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(262,463)
Cash and Cash Equivalents - Beginning	<u>697,066</u>
Cash and Cash Equivalents - Ending	<u><u>434,603</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>4,354</u>
Adjustments to Reconcile Operating Income to Net Cash Provided Provided (Used) By Operating Activities:	
Depreciation	29,130
Increase (Decrease) in Operating Assets:	
Accounts Receivable	(1,793)
Current Payables	<u>(21,948)</u>
Total Adjustments	<u>5,389</u>
Net Cash Provided (Used) by Operating Activities	<u><u>9,743</u></u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Torrey Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Torrey Town is a municipal corporation in Wayne County, Utah. It is governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Torrey Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Torrey Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Water Fund accounts for the activities of the Town's culinary water operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	50 Years
Vehicles	5 Years
Equipment	10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the Town by Sanpete County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end, the carrying amount and bank balance of the Town's deposits was \$93,824 and \$94,194 respectively. Of the bank balance, \$94,194 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	93,824
Investments - PTIF	247,778
State Treasurer's Escrow Accounts	<u>122,753</u>
Total Cash and Investments	<u><u>464,355</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	29,752
Business-Type Activities - Unrestricted	286,305
Business-Type Activities - Restricted	<u>148,298</u>
Total Cash and Cash Equivalents	<u><u>464,355</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$94,194 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$247,778 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

Torrey Town's Revenue Bond requires a reserve account in the amount of \$29,000.00 to be made in 72 monthly payments of \$403.00. The balance in the bond reserve account at June 30, 2006, is \$29,000.00.

NOTE 4 - UTILITIES ACCOUNTS RECEIVABLE

Utility accounts receivable represents amounts owed by water customers at June 30, 2006. The balance at year end was \$14,850.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Total Capital Assets Not Being Depreciated	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	65,200	-	-	65,200
Machinery and Equipment	24,600	-	-	24,600
Infrastructure	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Total Capital Assets Being Depreciated	<u>389,800</u>	<u>-</u>	<u>-</u>	<u>389,800</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	46,600	1,880	-	48,480
Machinery and Equipment	8,940	1,560	-	10,500
Infrastructure	<u>120,000</u>	<u>15,000</u>	<u>-</u>	<u>135,000</u>
Total Accumulated Depreciation	<u>175,540</u>	<u>18,440</u>	<u>-</u>	<u>193,980</u>
Total Capital Assets Being Depreciated (Net)	<u>214,260</u>	<u>(18,440)</u>	<u>-</u>	<u>195,820</u>
Governmental Activities Capital Assets, Net	<u>245,260</u>	<u>(18,440)</u>	<u>-</u>	<u>226,820</u>

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Construction In Progress	<u>820,154</u>	<u>238,696</u>	<u>1,058,850</u>	<u>-</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	<u>1,059,012</u>	<u>1,058,850</u>	<u>-</u>	<u>2,117,862</u>
Machinery and Equipment	<u>63,500</u>	<u>-</u>	<u>-</u>	<u>63,500</u>
Total Capital Assets Being Depreciated	<u>1,122,512</u>	<u>1,058,850</u>	<u>-</u>	<u>2,181,362</u>
Less Accumulated Depreciation For:				
Improvements Other Than Buildings	<u>382,695</u>	<u>21,180</u>	<u>-</u>	<u>403,875</u>
Equipment	<u>23,850</u>	<u>7,950</u>	<u>-</u>	<u>31,800</u>
Total Accumulated Depreciation	<u>406,545</u>	<u>29,130</u>	<u>-</u>	<u>435,675</u>
Total Capital Assets Being Depreciated (Net)	<u>715,967</u>	<u>1,029,720</u>	<u>-</u>	<u>1,745,687</u>
Business Type Activities Capital Assets, Net	<u>1,536,121</u>	<u>1,268,416</u>	<u>1,058,850</u>	<u>1,745,687</u>
Total Capital Assets	<u>1,781,381</u>	<u>1,249,976</u>	<u>1,058,850</u>	<u>1,972,507</u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,200	-	1,200
Public Safety	180	-	180
Public Health	-	29,130	29,130
Highways and Public Improvements	15,000	-	15,000
Parks and Recreation	<u>2,060</u>	<u>-</u>	<u>2,060</u>
Total Depreciation Expense	<u>18,440</u>	<u>29,130</u>	<u>47,570</u>

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 6 - LONG-TERM DEBT

1995 Water Revenue Bond:

On May 5, 1995, the Board of Water Resources authorized a loan of \$310,000 to Torrey Town for the construction of drinking water system improvement. The loan from the board is secured by a non-voted revenue bond issued by the Town. The Town will repay the principal amount in 18 annual payments, with interest payable on the unpaid principal balance at the annual rate of 5%.

The following is an amortization schedule of the \$310,000 Revenue Bond for 14 years at 5% interest. Payments are due March 1 of each year. Interest may vary due to early or late payments:

<u>Date</u>	<u>Total Bond Payment</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Principal Balance</u>
Balance June 30, 2005				179,000
March 2007	27,938	8,938	19,000	160,000
March 2008	27,988	7,988	20,000	140,000
March 2009	27,987	6,987	21,000	119,000
March 2010	27,938	5,938	22,000	97,000
March 2011	27,837	4,837	23,000	74,000
March 2012	28,688	3,688	25,000	49,000
March 2013	26,437	2,437	24,000	25,000
March 2014	<u>26,238</u>	<u>1,238</u>	<u>25,000</u>	-
Total	<u>221,051</u>	<u>42,051</u>	<u>179,000</u>	

Parity Water Revenue Bond, Series 2004:

During 2004 the Town authorized the issuance of \$270,000 Parity Water Revenue Bonds, Series 2004, for the purpose of providing funds to finance all or part of the cost of constructing culinary water system improvements which included spring development, replacement of water lines, installation of fire hydrants and installation of associated valves and appurtenances.

The bond requires yearly payments including interest payments at 2.5% beginning April 1, 2006.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 1,			
2007	11,000	6,500	17,500
2008	11,000	6,225	17,225
2009	11,000	5,950	16,950
2010	12,000	5,675	17,675
2011	12,000	5,375	17,375
2012-2016	65,000	22,225	87,225
2017-2021	72,000	13,725	85,725
2022-2026	66,000	4,175	70,175
Total	<u>260,000</u>	<u>69,850</u>	<u>329,850</u>

The following is a schedule of debt service payments to maturity for total Long-Term Debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	30,000	15,438	45,438
2008	31,000	14,213	45,213
2009	32,000	12,937	44,937
2010	34,000	11,613	45,613
2011	35,000	10,212	45,212
2012-2016	139,000	29,588	168,588
2017-2021	72,000	13,725	85,725
2022-2026	66,000	4,175	70,175
Total	<u>439,000</u>	<u>111,901</u>	<u>550,901</u>

The following is a schedule of changes in Long-Term Debt:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal June 30, 2006</u>
1995 Water Revenue Bond	197,000	-	18,000	179,000
2004 Water Revenue Bond	<u>270,000</u>	<u>-</u>	<u>10,000</u>	<u>260,000</u>
Total	<u>467,000</u>	<u>-</u>	<u>28,000</u>	<u>439,000</u>

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - CLASS "C" ROAD RESERVED FUND BALANCE

The following is a schedule of changes in Class "C" Road reserved fund balance:

Balance - Beginning of Year	1,930
Receipts:	
State Allotments	15,155
Disbursements:	
Maintenance and Construction	<u>(17,085)</u>
Balance - End of year	<u><u>-</u></u>

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The Town is insured for \$1,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$1,000,000 aggregate each policy period with a \$500 deductible each accident.

Automobile Liability:

The Town is insured for automobile bodily injury for \$1,000,000 combined single limit per accident with a \$500 deductible each accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

Property:

All of the property coverage is brokered and written through United States Fidelity and Guaranty Insurance Company. Buildings and equipment are covered based on replacement costs subject to a \$1,000 deductible.

Workers Compensation:

This coverage is provided through the Workers Compensation Fund of Utah.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

(This page contains no information and
is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**TORREY TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2005	<u>16,466</u>	<u>16,466</u>	<u>16,466</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	2,800	2,800	3,100	300
Fee-In-Lieu	300	300	386	86
General Sales and Use Taxes	<u>22,000</u>	<u>22,000</u>	<u>26,761</u>	<u>4,761</u>
Total Taxes	<u>25,100</u>	<u>25,100</u>	<u>30,247</u>	<u>5,147</u>
Licenses and Permits	<u>325</u>	<u>325</u>	<u>400</u>	<u>75</u>
Intergovernmental Revenue:				
Class C Road	15,500	15,500	15,155	(345)
State Liquor Allotment	500	500	658	158
Contributions from County	<u>700</u>	<u>700</u>	<u>700</u>	<u>-</u>
Total Intergovernmental Revenue	<u>16,700</u>	<u>16,700</u>	<u>16,513</u>	<u>(187)</u>
Charges for Services:				
Cemetery	1,056	1,056	220	(836)
Other	<u>950</u>	<u>950</u>	<u>955</u>	<u>5</u>
Total Charges for Services	<u>2,006</u>	<u>2,006</u>	<u>1,175</u>	<u>(831)</u>
Other Revenue:				
Interest	140	140	1,551	1,411
Other	-	-	4,530	4,530
Transfer from Water Fund	6,514	6,514	6,000	(514)
Use of Fund Balance	<u>16,015</u>	<u>16,015</u>	<u>-</u>	<u>(16,015)</u>
Total Miscellaneous Revenue	<u>22,669</u>	<u>22,669</u>	<u>12,081</u>	<u>(10,588)</u>
Amounts Available for Appropriation	<u>83,266</u>	<u>83,266</u>	<u>76,882</u>	<u>(6,384)</u>

**TORREY TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Charges to Appropriations (Outflows):				
General Government:				
Salaries	13,500	13,500	13,500	-
Administration	10,500	10,500	6,984	3,516
Total General Government	24,000	24,000	20,484	3,516
Public Safety:				
Fire Department	2,000	2,000	1,804	196
Highway and Public Improvements:				
Construction	10,000	10,000	17,085	(7,085)
Repairs and Maintenance	14,000	14,000	4,897	9,103
Utilities	7,000	7,000	6,814	186
Total Highways and Public Improvements	31,000	31,000	28,796	2,204
Culture and Recreation:				
Cemetery	5,800	5,800	7,565	(1,765)
Parks	4,000	4,000	2,003	1,997
Total Culture and Recreation	9,800	9,800	9,568	232
Total Charges to Appropriations	66,800	66,800	60,652	6,148
Budgetary Fund Balance - June 30, 2006	16,466	16,466	16,230	(236)

**TORREY TOWN
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	76,882
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(16,466)
Transfers from other fund are inflows of budgetary resources but are not revenue for financial reporting purposes.	<u>(6,000)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>54,416</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules.	60,652
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>60,652</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Torrey Town
Torrey, Utah 84775

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Torrey Town as and for the year ended June 30, 2006, which collectively comprise Torrey Town's basic financial statements and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Torrey Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Torrey Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and Town Council
Torrey Town
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This report is intended solely for the information and use of the audit committee, management, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 11, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Torrey Town
Torrey, Utah 84775

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Torrey Town, for the year ended June 30, 2006, and have issued our report thereon dated August 11, 2006. As part of our audit, we have audited Torrey Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of Torrey Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

Honorable Mayor and Town Council
Torrey Town
Page -2-

In our opinion, Torrey Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 11, 2006
Richfield, Utah